



Chapter 1

Introduction and Statutory Requirements



**What are
allotments?**

The allotment represents a detailed schedule of revenues and expenditures authorized in the budget. Allotment controls ensure that:

- Appropriations are used for purposes that meet legislative intent;
- Sufficient funds exist to allow the state to incur financial obligations; and
- Changes in planned expenditures can be proposed, evaluated, and authorized in a manner consistent with state law.

1.1 Statutory Provisions



**Key statutory
requirements of
the Budget,
Accounting and
Reporting Act
(RCW 43.88)**

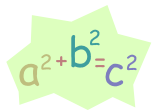
The Budget, Accounting and Reporting Act, RCW 43.88, outlines the legal authority and responsibility of the Governor and the Office of Financial Management (OFM) to allot public funds. Links to RCW 43.88 and RCW 43.79.260-282 are available in the Internet version of these instructions on the OFM home page. See the inside front cover of this document for the Internet addresses. Key statutory requirements:

- Agencies are required to submit proposed expenditure plans within 45 days after the beginning of the fiscal period, or within 45 days after the Governor signs the omnibus appropriations bill, whichever is later. The form and dates of submittal are determined by the Governor.
- Except for legislative and judicial agencies and those headed by elected officials, the Governor shall review expenditure plans for reasonableness and conformance with legislative intent.
- All public funds are subject to allotment unless specifically exempted by the Director of OFM. (See separate OFM memorandum that will be sent in June 2001.)
- After initial approval, expenditure plans can only be revised at the beginning of the second fiscal year, for legislative changes in appropriation levels, or for across-the-board reductions mandated by the Governor.
- Operating and Capital expenditure allotment revisions are not to be made retroactively.

- OFM must enter approved expenditure plans into the state budget, accounting, and reporting system within 45 days after receipt.
- It is necessary for OFM to monitor agency expenditures against the allotment, and provide a quarterly report to the Legislature with explanations of variances. (Section 3.7)
- Whenever any money from the federal government, local government, or private sources is received for a specific purpose and there is no existing appropriation authority, the head of the agency must submit a request for expenditure authority to the Governor. (Section 3.3)

Although the allotment represents an official expenditure plan, the appropriation is the maximum legal authority for obligation of funds. No agency is permitted to overexpend or overencumber any appropriation, or to expend funds contrary to the conditions placed on that appropriation by the Legislature. The fiscal responsibilities of state officers and employees are stated in RCW 43.88.260-320.

1.2 Appropriation Schedule



Allotments must match dollars and codes in the appropriation schedule

- Appropriations and compensation allocations available to agencies are listed in the OFM Appropriation Schedule. This document is distributed within a few weeks after the Governor signs the omnibus operating, transportation, and capital budget bills and any other legislation with appropriations. Allotments must match both the dollar amounts and appropriation codes shown in the Appropriation Schedule.
- Unanticipated receipts, Governor's Emergency Fund allocations, and other allocations require separate documentation of expenditure authority. Agencies will receive updated appropriation schedules periodically. However, unanticipated receipt appropriations will not be reflected on appropriation schedules.

1.3 Fiscal Data Requirements

What fiscal data is required in the initial allotment submittal to OFM



It is an agency's responsibility to submit the following fiscal data to OFM for the initial biennial allotment and any subsequent amendments:

- Appropriation amount.

- Monthly estimated expenditures by object and fund/appropriation for each budgeted program.
- Monthly estimates of FTEs, separated into General Fund-State (GF-S) and Other Funds.
- Monthly estimates of revenue by major group, major source, and fund.
- Monthly estimates of cash disbursements and cash receipts by fund. Cash disbursements for capital projects must be submitted by appropriation.
- Expenditure estimates are collected at the program level for most agencies, and at subprogram (or budget unit) level for the Department of Social and Health Services and the Department of Corrections.

1.4 Generally Accepted Accounting Principles (GAAP)



RCW 43.88.037 requires the state's comprehensive budgeting, accounting, and reporting system to be in conformance with Generally Accepted Accounting Principles (GAAP), as published in the OFM State Administrative and Accounting Manual (SAAM).

GAAP requirements for allotments

This requirement has the following implications for allotments:

- Expenditure and revenue allotments are to be submitted for budgeted governmental funds on a GAAP modified accrual basis. The exceptions to this are budgeted loans, federal food commodities, food stamp benefits, and capital leases. Budgeted loans are allotted as expenditures when disbursed and repayments are allotted as revenues when received. Capital leases are budgeted as expenditures when paid. Federal food commodities and food stamps are not budgeted.
- Expense allotments are to be submitted only for the budgeted portion of proprietary funds. Since expenses in proprietary funds are typically not fully budgeted, only the portion of revenues that pertain to the budgeted expenses should be allotted. Agencies allotting revenue for accounts from which other agencies spend must allot revenue sufficient to cover all agencies' spending, including compensation allocations.

1.5 Budget Format Revisions

Changes to the budget document format must be reviewed by OFM and approved by the Legislature

RCW 43.88.030 requires that any revisions in the format of the Governor's budget document, or in accounting practices which may affect the comparability of data in that document, receive legislative approval.

Proposals to make program structure or other significant accounting changes should first be discussed with the assigned OFM budget assistant, and then requested in writing. After OFM review, the request will be forwarded to the appropriate legislative committee for its approval. No allotment incorporating a new program structure will be approved by OFM without prior legislative concurrence.

Program structure changes applicable to the initial 2001-03 allotment were to be submitted to OFM by May 4, 2001. OFM will compile its recommendations into a request to the Legislative Evaluation and Accountability Program (LEAP) Committee. The LEAP Committee usually meets in late July to decide these requests.

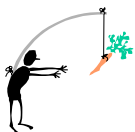
1.6 Update of Operating Budget Salary and Benefits (B6, B6-I and B6-P Reports)



Update your salary and benefit information on the B6, B6-I, and B6-P

Agencies will be asked to submit updated B6, B6-I and B6-P data to OFM, to be used as a database for allocating salary, insurance, and pension changes for the operating budget approved by the Legislature. Although regular salary and health benefit increases are appropriated directly to colleges and universities, funding for the partial salary survey is appropriated to OFM, so B6 data will be needed from higher education institutions in order to calculate the allocations for these increases. Detailed B6 instructions will be sent to agencies separately.

1.7 Savings Incentive Program



Savings incentive program encourages efficiencies and provides funding for construction

The Savings Incentive Program was established in 1997 as a means of encouraging agency efficiency and providing another ongoing source of funding for school construction projects.

In 2001-03, unspent General Fund-State (GF-S) appropriations for Fiscal Years 2001 and 2002 will be allocated to either the Education Savings Account or the Savings Incentive Account, based on the process described in Section 1.7.3.

1.7.1 Education Savings Account

**How does
Education
Savings Account
get its funding?**

Savings transferred to the appropriated Education Savings Account for use by the State Board of Education include:

- Unspent GF-S appropriations for caseload and enrollment in entitlement programs;
- Unspent GF-S appropriations for enrollments in state institutions of higher education;
- Unspent GF-S proviso appropriations, if the agency did not achieve the purpose of the condition or limitation;
- Unspent debt service appropriations;
- Unspent appropriations for state retirement system obligations;
- One-half of any other unspent GF-S appropriations in agency budgets.

1.7.2 Savings Incentive Account

Savings transferred to the Savings Incentive Account, for use by each agency demonstrating unspent GF-S appropriations include:

- One-half of the unspent GF-S appropriations not itemized above.

The Savings Incentive Account is nonappropriated but is subject to allotment procedures. Agencies will be informed in writing by OFM of the amounts they will be permitted to allot in these accounts.

1.7.3 Steps in the Allocation Process

- At the close of OFM's Phase II accounting adjustments for Fiscal Year 2001, OFM will begin determining the amounts of each agency's GF-S reversions and how they fall into the categories listed above.
- OFM will review the initial division of reversions with legislative fiscal staff to ensure agreement on their categorization.
- Reversion estimates will be finalized after the close of the auditing phase, in late November 2001.
- At the point that the savings incentive amounts are final, OFM will issue allotment instructions and the amount available to each GF-S agency from the Savings Incentive Account. Per RCW 43.79.460, use of this funding is limited to one-time expenditures to improve the quality, efficiency and

effectiveness of services to the customers of the state. These activities may include employee training, employee incentives, technology improvements, new work processes, or performance measurement.

- It is not necessary to automatically allot savings incentive funds. When expenditures from the Savings Incentive Account are planned, agencies are to submit their allotments using L packets.

1.8 Allotment Checklist

In order to assist agencies to ensure that their allotment packets are complete, we have developed the following checklist:

Initial Allotment Packets

- ☒ The administering agency should ensure that dedicated accounts have sufficient 1999-01 fund balance plus estimated 2001-03 revenues to cover allotted expenditures, including expenditures by other agencies that receive appropriations from the account. (Refer to SWM-413, General Ledger Trial Balance Report.)
- ☒ Allot appropriations from newly created accounts, or revenue estimates for new collection requirements.
- ☒ Allot spending authority for compensation from dedicated accounts. See the table in Section 6.8 for more information on how to create the revenue side of these allotments.
- ☒ Ensure that initial packet reflects allotments for all authorized spending for both appropriated and nonappropriated allotted accounts.
- ☒ Ensure that federal and local expenditures are equal to the federal and local revenue estimates.

Capital Allotment Packets

- ☒ Adjust capital reappropriation allotments to reflect actual balances available once 1999-01 biennial expenditures are final, but not higher than what is legislatively authorized.
- ☒ Allot capital expenditures in the appropriate months throughout the biennium, and not just in the first month of the biennium. Capital allotments represent the estimated expenditures and do not reflect encumbrances.
- ☒ Use C900 - C999 for agency internal capital allotments (APS users only).
- ☒ Enter capital project cash disbursements at the appropriation level, rather than by fund.

Unanticipated Allotment Packets (refer to Section 3.3 and Section 4.2)

- ☒ Provide detailed description on Form B20-1 for unanticipated receipt requests.
- ☒ Grant award or other contract documentation must be included with the Form B20-1.
- ☒ Ensure that the unanticipated receipt packet (Form B20-1, grant or contract award information, and APS/TAPS data in a U or C packet) is received by OFM at least 10 days prior to the commitment of funds to allow for legislative review.
- ☒ Match information on the Form B20-1 for unanticipated receipts to the allotment data submittal for unanticipated receipts.
- ☒ Ensure that federal and private/local expenditures are equal to the federal and private/local revenue estimates.
- ☒ Ensure that no spending is made from the unanticipated receipts until OFM approves the allotment packet.
- ☒ Do not allot retroactive data in operating packets (U packets). Retroactivity is allowed for capital packets provided expenditures do not cross back to the previous fiscal year.
- ☒ Avoid, whenever possible, submitting unanticipated receipts during legislative session. They should either be submitted as a supplemental budget request or as unanticipated receipts before legislative session. If an agency needs to submit an unanticipated receipt during legislative session, please contact your assigned budget assistant. OFM will consult with the legislature to determine whether the request will be approved as an unanticipated receipt or built into the supplemental budget.

All Types of Allotment Packets

- ☒ Establish appropriations in the appropriate fiscal year in APS or TAPS before allotting by month and object.
- ☒ Allot all revenues collected by your agency, regardless of which agency spends the revenue.
- ☒ Update revenue, cash disbursement, and cash receipt estimates as needed during the biennium to reflect actual experience or new forecasts (see Section 6.7).
- ☒ Code General Fund-State FTEs as Fund 001. Code General Fund-Federal, General Fund-Local, and all dedicated account FTEs as Fund 996. Note: Agencies may enter their FTEs in APS and

- ☒ TAPS by Appropriation Index (AI) for detailed reporting in AFRS. APS and TAPS will automatically summarize any AIs for FTEs to the Fund 001 and Fund 996 level when agencies release allotment packets to OFM.
- ☒ Use the appropriate packet type (B, A, C, U, S and L) consistent with the type of allotment amendment being submitted (see Section 2.5).
- ☒ Do not allot retroactive data in operating packets except the initial biennial allotments. Retroactivity is allowed for capital packets provided expenditures do not affect the previous fiscal year.
- ☒ Estimate by month on a realistic basis (not divided evenly by 24 months). Spread monthly estimates on historical patterns adjusted for expected changes in new funding.
- ☒ Ensure that Object T Intra-agency Transfers net to zero at agency level.
- ☒ Ensure that the total of allotted, unallotted, and reserve for each appropriation matches to the OFM Appropriation Schedule.
- ☒ Ensure that federal and local expenditures are equal to the federal and local revenue estimates.
- ☒ Do not allot Object F, Cost of Goods Sold.
- ☒ Do not include encumbrances in operating or capital allotments.
- ☒ When a packet is complete, confirm that the total appropriation established (transaction S1 for APS and 700 for TAPS) is equal to the totals in allotted, unallotted, and reserve for each appropriation. In other words, for APS users, the total S1 entry for each appropriation should be equal to the total D1+ and D1- entries plus amounts in unallotted and reserve. For TAPS users, the total 700 entries for each appropriation should be equal to the total 702 and 704 entries plus amounts in unallotted and reserve.